

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

CASNOVIA, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

MARCH 31, 2008

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CASNOVIA, MICHIGAN

MARCH 31, 2008

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July 18, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Casnovia Township
Muskegon County
Casnovia, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Casnovia Township, Muskegon County, Casnovia, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Casnovia Township, Muskegon County, Casnovia, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 21 – 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casnovia Township, Muskegon County, Casnovia, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2008

Casnovia Township, a general law township located in Muskegon County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Casnovia Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$850,938. Of this amount, \$175,726 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$477,174. About 37% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide financial statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township was \$850,938 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2008

Casnovia Township
Net Assets as of March 31,

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 643,527	\$ 527,350
Non Current Assets		
Capital Assets	990,128	901,872
Less: Accumulated Depreciation	(616,364)	(666,257)
 Total Non Current Assets	 <u>373,764</u>	 <u>235,615</u>
 Total Assets	 <u><u>\$ 1,017,291</u></u>	 <u><u>\$ 762,965</u></u>
 Liabilities		
Current Liabilities	<u>\$ 166,353</u>	<u>\$ 4,038</u>
 Net Assets		
Invested in Capital Assets	373,764	235,615
Restricted for Specific Purposes	301,448	302,706
Unrestricted	<u>175,726</u>	<u>220,606</u>
 Total Net Assets	 <u><u>850,938</u></u>	 <u><u>758,927</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,017,291</u></u>	 <u><u>\$ 762,965</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$175,726 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$92,011 or 10.8% in this fiscal year, an indication the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2008

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Casnovia Township
Change in Net Assets
for the Fiscal Year Ended March 31,

	<u>2008</u>	<u>2007</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 21,143	\$ 30,283
Operating Grant and Contributions	3,402	3,377
Capital Grants and Contributions	0	40,180
General Revenues		
Property Taxes	232,814	212,579
State Shared Revenue	171,893	173,395
Investment Earnings	9,552	3,425
Gain on Sale of Capital Assets	5,000	0
Other	4,900	19,504
Total Revenues	<u>448,704</u>	<u>482,743</u>
<u>Expenses</u>		
Legislative	50,424	34,072
General Government	114,053	92,616
Public Safety	155,398	133,362
Public Works	25,796	27,499
Community and Economic Development	1,913	1,824
Recreational and Cultural	965	530
Other Functions	8,144	30,633
Unallocated Depreciation	0	5,457
Total Expenses	<u>356,693</u>	<u>325,993</u>
Changes in Net Assets	92,011	156,750
<u>NET ASSETS</u> - Beginning of Year	<u>758,927</u>	<u>602,177</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 850,938</u></u>	<u><u>\$ 758,927</u></u>

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$92,011 or 10.8% in the governmental funds.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2008

The most significant part of the revenue for all governmental activities of Casnovia Township comes from property taxes. The Township levied 1.0635 mills in property tax for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2008, the amount of state shared revenue received by the Township trended downward.

The Township's governmental activities expenses are dominated by General Government and Public Safety expenses that total 75.5% of total expenses. The Township spent \$114,053 in fiscal year 2008 on General Government and \$155,398 on Public Safety expenses. Legislative represented the next largest expense at \$50,424, or 14.1% of total expenses. Expenses for salaries, contracted services and depreciation represent a large portion of the General Government expenses.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds – The focus of Casnovia Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Casnovia Township's governmental funds reported combined ending fund balances of \$477,174. Approximately 37% of this total amount (\$175,726) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund decreased its fund balance by \$57,139 which brings the fund balance to \$90,419. The General Fund's fund balance is unreserved. Property tax revenues increased by 10% or \$9,644. State shared revenues decreased by \$1,477 from the prior year. This represents a 1% decrease.

Fire Operating Fund – The Fire Operating Fund decreased its fund balance by \$41,254, which brings the fund balance to \$22,525. This balance is reserved and must be used for fire operations. Equipment maintenance of \$52,182 represented the largest expense at 48.1% of total expenses.

The Township levied a fire operating millage on the 2007 tax roll. This resulted in \$67,745 in tax related revenues during the current fiscal year.

Fire Equipment Fund – The Fire Equipment Fund increased its fund balance by \$39,814 which brings the fund balance to \$277,517. This balance is reserved and must be used for fire equipment.

The Township levied a fire millage on the 2007 tax roll. This resulted in \$67,745 in tax related revenues during the current fiscal year.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Fire Building Fund – The Fire Building Fund increased its fund balance by \$53 which brings the fund balance to \$13,209. Interest earnings of \$53 were the only revenues.

Public Improvement Fund – The Public Improvement Fund increases its fund balance by \$12,206 which brings the fund balance to \$72,098. Interest earnings of \$2,206 were the only revenues.

Building Department Fund – The Building Department Fund increased its fund balance by \$182 which brings the fund balance to \$1,406. This balance is reserved and must be used for building inspections. Charges for permits amounted to \$9,555.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2008 amounted to \$373,764 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 37%.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Casnovia Township
Capital Assets as of March 31,**

	<u>2008</u>	<u>2007</u>
Land and Land Improvements	\$ 36,056	\$ 32,783
Buildings	114,296	114,296
Infrastructure	162,399	0
Machinery and Equipment	<u>677,377</u>	<u>754,793</u>
	\$ 990,128	\$ 901,872
Less Accumulated depreciation	<u>616,364</u>	<u>666,257</u>
Net Capital Assets	<u><u>\$ 373,764</u></u>	<u><u>\$ 235,615</u></u>

Major capital asset events during the current fiscal year included the following:

- Purchased flags and holders.
- Purchased 6 radios to be used by the fire department.
- Purchased a new computer and computer software.
- Installed a new well for the cemetery.
- Purchased road gravel for local roads.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2008

Long-Term Debt. Casnovia Township has no obligation for any long-term debt as of March 31, 2008.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. A fire millage was once again levied for the 2008 tax roll.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Casnovia Township at 245 Canada Road, Casnovia, Michigan 49318.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 580,226
Receivables	
Taxes	22,306
External Party (Fiduciary Fund)	1,000
Due from Other Governments	<u>39,995</u>
Total Current Assets	<u>643,527</u>
<u>CAPITAL ASSETS</u>	
Land	32,283
Land Improvements	3,773
Buildings	114,296
Infrastructure	162,399
Machinery and Equipment	<u>677,377</u>
	990,128
Less Accumulated Depreciation	<u>616,364</u>
Net Capital Assets	<u>373,764</u>
TOTAL ASSETS	<u>1,017,291</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	163,518
Payroll Taxes and Withholdings	<u>2,835</u>
Total Current Liabilities	<u>166,353</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	373,764
Restricted for Fire Equipment	277,517
Restricted for Building Inspections	1,406
Restricted for Fire Operations	22,525
Unrestricted	<u>175,726</u>
TOTAL NET ASSETS	<u>\$ 850,938</u>

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

		PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	50,424	\$ 0	\$ 0	\$ 0	\$ (50,424)
General Government	114,053	11,588	0	0	(102,465)
Public Safety	155,398	0	0	0	(155,398)
Public Works	25,796	0	3,402	0	(22,394)
Community and Economic Development	1,913	9,555	0	0	7,642
Recreation and Cultural	965	0	0	0	(965)
Other Functions	8,144	0	0	0	(8,144)
Total Governmental Activities	\$ 356,693	\$ 21,143	\$ 3,402	\$ 0	(332,148)
<u>GENERAL REVENUES</u>					
Taxes					232,814
State Shared Revenue					171,893
Investment Earnings					9,552
Gain on Sale of Capital Assets					5,000
Other					4,900
Total General Revenues					424,159
Change in Net Assets					92,011
<u>NET ASSETS</u> - Beginning of Year					758,927
<u>NET ASSETS</u> - End of Year					\$ 850,938

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

	GENERAL FUND	FIRE OPERATING FUND	FIRE EQUIPMENT FUND
<u>ASSETS</u>			
Cash	\$ 155,301	\$ 64,538	\$ 273,713
Taxes Receivable	22,306	0	0
Due from Other Governments	39,995	0	0
Due from Other Funds	42,328	0	3,804
Total Assets	<u>\$ 259,930</u>	<u>\$ 64,538</u>	<u>\$ 277,517</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 162,833	\$ 685	\$ 0
Payroll Taxes and Withholdings	2,835	0	0
Due to Other Funds	3,843	41,328	0
Total Liabilities	<u>169,511</u>	<u>42,013</u>	<u>0</u>

FUND BALANCE

Reserved for:			
Fire Equipment	0	0	277,517
Building Inspections	0	0	0
Fire Operations	0	22,525	0
Unreserved			
Designated for:			
Fire Buildings	0	0	0
Public Improvement	0	0	0
Undesignated	90,419	0	0
Total Fund Balance	<u>90,419</u>	<u>22,525</u>	<u>277,517</u>

TOTAL LIABILITIES AND
FUND BALANCE

\$ 259,930	\$ 64,538	\$ 277,517
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The accompanying notes are an integral part of the financial statements.

FIRE BUILDING FUND	PUBLIC IMPROVEMENT FUND	BUILDING DEPARTMENT FUND	TOTALS
\$ 13,209	\$ 72,098	\$ 1,367	\$ 580,226
0	0	0	22,306
0	0	0	39,995
0	0	39	46,171
<u>\$ 13,209</u>	<u>\$ 72,098</u>	<u>\$ 1,406</u>	<u>\$ 688,698</u>

\$ 0	\$ 0	\$ 0	\$ 163,518
0	0	0	2,835
0	0	0	45,171
<u>0</u>	<u>0</u>	<u>0</u>	<u>211,524</u>

0	0	0	277,517
0	0	1,406	1,406
0	0	0	22,525

13,209	0	0	13,209
0	72,098	0	72,098
0	0	0	90,419
<u>13,209</u>	<u>72,098</u>	<u>1,406</u>	<u>477,174</u>

<u>\$ 13,209</u>	<u>\$ 72,098</u>	<u>\$ 1,406</u>	<u>\$ 688,698</u>
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The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balance for Governmental Funds	\$ 477,174
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 32,283	
Land Improvements	3,773	
Buildings	114,296	
Infrastructure	162,399	
Machinery and Equipment	677,377	
Accumulated Depreciation	<u>(616,364)</u>	<u>373,764</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 850,938</u>
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The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	FIRE OPERATING FUND	FIRE EQUIPMENT FUND
<u>REVENUES</u>			
Taxes	\$ 97,324	\$ 67,745	\$ 67,745
State Grants	175,295	0	0
Charges for Services	11,588	0	0
Interest and Rents	4,405	831	2,051
Other Revenues	8,980	920	0
Total Revenues	297,592	69,496	69,796
<u>EXPENDITURES</u>			
Legislative	50,424	0	0
General Government	120,237	0	0
Public Safety	0	108,550	0
Public Works	188,195	0	0
Community and Economic Development	1,913	0	0
Recreation and Cultural	965	0	0
Other Functions	8,144	0	0
Total Expenditures	369,878	108,550	0
Excess (Deficiency) of Revenues Over Expenditures	(72,286)	(39,054)	69,796
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	25,147	11,473	0
Transfers Out	(10,000)	(13,673)	(29,982)
Total Other Financing Sources (Uses)	15,147	(2,200)	(29,982)
Net Change in Fund Balance	(57,139)	(41,254)	39,814
<u>FUND BALANCE</u> - Beginning of Year	147,558	63,779	237,703
<u>FUND BALANCE</u> - End of Year	\$ 90,419	\$ 22,525	\$ 277,517

The accompanying notes are an integral part of the financial statements.

FIRE BUILDING FUND	PUBLIC IMPROVEMENT FUND	BUILDING DEPARTMENT FUND	TOTALS
\$ 0	\$ 0	\$ 0	\$ 232,814
0	0	0	175,295
0	0	9,555	21,143
53	2,206	6	9,552
0	0	0	9,900
53	2,206	9,561	448,704
0	0	0	50,424
0	0	0	120,237
0	0	16,414	124,964
0	0	0	188,195
0	0	0	1,913
0	0	0	965
0	0	0	8,144
0	0	16,414	494,842
53	2,206	(6,853)	(46,138)
0	10,000	7,035	53,655
0	0	0	(53,655)
0	10,000	7,035	0
53	12,206	182	(46,138)
13,156	59,892	1,224	523,312
\$ 13,209	\$ 72,098	\$ 1,406	\$ 477,174

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ (46,138)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(35,107)
Capital Outlay	<u>173,256</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 92,011</u></u>
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The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,000
	<hr/> <hr/>
<u>LIABILITIES</u>	
Due to General Fund	\$ 1,000
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Casnovia Township is a general law township located in Muskegon County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Casnovia Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Equipment Fund* accounts for revenue sources that are legally restricted to expenditures for fire equipment.

The *Fire Building Fund* accounts for revenue sources that are designated for expenditures for fire building.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The *Public Improvement Fund* accounts for revenue sources that are designated for expenditures for public improvements.

The *Building Department Fund* accounts for revenue sources that are legally restricted to expenditure for building construction code enforcement activities.

The *Fire Operating Fund* is a new fund that accounts for revenue sources that are legally restricted to expenditures for fire operations.

Additionally Casnovia Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

- I. The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

In accordance with Public Act 20 of the Public Acts of 1943, as amended, the investment policy adopted by the Township allows the surplus funds of Casnovia Township to be invested as follows:

- a) Bonds, securities, and other obligations of the United States with full faith and credit of the United States Government.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

- c) Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Bankers' acceptances of United States banks.
- e) Mutual funds registered under the investment company act of 1940, maintain a \$1.00 per share net asset value.
- f) Investment pools organized under the Surplus Funds Investment Pool Act, 1985 PA 367, 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Casnovia Township totaled \$67,870,368, on which ad valorem taxes levied consisted of 1.0635 mills for Casnovia Township operating purposes, 1.000 mills for Casnovia Township fire equipment, and 1.000 mills for fire operation. These levies raised approximately \$72,047 for operating purposes, \$67,745 for future fire equipment purchases, and \$67,745 for fire operations.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment	5-10

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 28, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Board of Review	\$ 2,100	\$ 2,255
Building and Grounds	13,000	23,470
Public Works	172,654	188,195
Community and Economic Development	1,900	1,913
Other Functions	0	8,144
Fire Operating		
Public Safety	67,000	108,550

These overages were funded by greater than anticipated revenues and available fund balance.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Choice One Bank, in Sparta, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, of the government's bank balance of \$526,982, \$426,982 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 22,306
Due from Other Governments	<u>39,995</u>
	<u>\$ 62,301</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 32,283	\$ 0	\$ 0	\$ 32,283
Capital assets, being depreciated				
Land improvements	500	3,273	0	3,773
Buildings	114,296	0	0	114,296
Infrastructure	0	162,399	0	162,399
Machinery and equipment	754,793	7,584	(85,000)	677,377
Total capital assets, being depreciated	<u>869,589</u>	<u>173,256</u>	<u>(85,000)</u>	<u>957,845</u>
Less accumulated depreciation for:				
Land improvements	312	120	0	432
Buildings	27,700	2,479	0	30,179
Infrastructure	0	0	0	0
Machinery and equipment	638,245	32,508	(85,000)	585,753
Total accumulated depreciation	<u>666,257</u>	<u>35,107</u>	<u>(85,000)</u>	<u>616,364</u>
Total capital assets, being depreciated, net	<u>203,332</u>	<u>138,149</u>	<u>0</u>	<u>341,481</u>
Governmental activities capital assets, net	<u>\$ 235,615</u>	<u>\$ 138,149</u>	<u>\$ 0</u>	<u>\$ 373,764</u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 42,328	\$ 3,843
Special Revenue Funds		
Fire Equipment	3,804	0
Building Department	39	0
Fire Operating	0	41,328
Fiduciary Funds		
Current Tax Collection Fund	0	1,000
	<u>\$ 46,171</u>	<u>\$ 46,171</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2008:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>Primary Government</u>		
General Fund	\$ 25,147	\$ 10,000
Fire Operating	11,473	13,673
Fire Equipment	0	29,982
Public Improvement	10,000	0
Building Department	7,035	0
	<u>\$ 53,655</u>	<u>\$ 53,655</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

E. Long-Term Debt

At March 31, 2008, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Special Revenue Funds

Fire Equipment Fund

Equipment

\$ 277,517

Building Department Fund

Building Inspection

1,406

Fire Operating Fund

Fire Operations

22,525

\$ 301,448

FUND BALANCE

Reserved

Special Revenue Funds

Fire Equipment Fund

Equipment

\$ 277,517

Building Department Fund

Building Inspection

1,406

Fire Operating Fund

Fire Operations

22,525

Designated

Fire Building Fund

Designated for Fire Buildings

13,209

Public Improvement Fund

Designated for Public Improvements

72,098

TOTAL FUND BALANCE RESERVES AND DESIGNATIONS

\$ 386,755

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers Township officers which elect to be covered. Township contributions to the plan for 2007-2008, amounted to \$16,000. In addition, the Township paid account fees and charges of \$1,377. For the 2007-2008 year, total covered payroll amounted to \$61,500 and total wages including non-covered was \$125,286.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	GENERAL FUND			FIRE OPERATING FUND			FIRE EQUIPMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 92,200	\$ 92,200	\$ 97,324	\$ 66,000	\$ 66,000	\$ 67,745	\$ 60,000	\$ 60,000	\$ 67,745
State Grants	173,500	173,500	175,295	0	0	0	0	0	0
Charges for Services	13,500	13,500	11,588	0	0	0	0	0	0
Interest and Rents	300	300	4,405	1,000	1,000	831	1,000	1,000	2,051
Other Revenues	6,000	6,000	8,980	1,000	1,000	920	0	0	0
Total Revenues	285,500	285,500	297,592	68,000	68,000	69,496	61,000	61,000	69,796
<u>EXPENDITURES</u>									
Legislative									
Township Board	61,500	61,500	50,424	0	0	0	0	0	0
General Government									
Supervisor	10,550	10,550	10,129	0	0	0	0	0	0
Election	2,700	2,700	1,689	0	0	0	0	0	0
Assessor	17,200	17,200	16,185	0	0	0	0	0	0
Legal and Professional	7,800	7,800	7,356	0	0	0	0	0	0
Clerk	18,100	18,100	17,496	0	0	0	0	0	0
Board of Review	2,100	2,100	2,255	0	0	0	0	0	0
Treasurer	14,350	14,350	14,043	0	0	0	0	0	0
Building and Grounds	13,000	13,000	23,470	0	0	0	0	0	0
Cemetery	24,700	27,700	27,614	0	0	0	0	0	0
Public Safety	0	0	0	67,000	67,000	108,550	18,000	18,000	0
Public Works	172,654	172,654	188,195	0	0	0	0	0	0
Community and									
Economic Development	1,900	1,900	1,913	0	0	0	0	0	0
Recreation and Cultural	1,000	1,000	965	0	0	0	0	0	0
Other Functions	0	0	8,144	0	0	0	0	0	0
Total Expenditures	347,554	350,554	369,878	67,000	67,000	108,550	18,000	18,000	0
Excess (Deficiency) of Revenues									
Over Expenditures	(62,054)	(65,054)	(72,286)	1,000	1,000	(39,054)	43,000	43,000	69,796

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	GENERAL FUND			FIRE OPERATING FUND			FIRE EQUIPMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	25,147	0	0	11,473	0	0	0
Transfers Out	(10,000)	(10,000)	(10,000)	0	0	(13,673)	0	0	(29,982)
Total Other Financing Sources (Uses)	(10,000)	(10,000)	15,147	0	0	(2,200)	0	0	(29,982)
Net Change in Fund Balance	(72,054)	(75,054)	(57,139)	1,000	1,000	(41,254)	43,000	43,000	39,814
<u>FUND BALANCE</u> - Beginning of Year	72,054	75,054	147,558	0	0	63,779	247,372	224,372	237,703
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 90,419	\$ 1,000	\$ 1,000	\$ 22,525	\$ 290,372	\$ 267,372	\$ 277,517

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>FIRE BUILDING FUND</u>			<u>PUBLIC IMPROVEMENT FUND</u>			<u>BUILDING DEPARTMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0
Charges for Services	1,000	1,000	0	0	0	0	22,000	22,000	9,555
Interest and Rents	75	75	53	1,500	1,500	2,206	50	50	6
Other Revenues	0	0	0	0	0	0	0	0	0
Total Revenues	1,075	1,075	53	1,500	1,500	2,206	22,050	22,050	9,561
<u>EXPENDITURES</u>									
Legislative	0	0	0	0	0	0	0	0	0
General Government	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	23,000	23,000	16,414
Public Works	0	0	0	0	0	0	0	0	0
Community and Economic Development	0	0	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	0	0	0
Other Functions	0	0	0	0	0	0	0	0	0
Total Expenditures	0	0	0	0	0	0	23,000	23,000	16,414
Excess (Deficiency) of Revenues Over Expenditures	1,075	1,075	53	1,500	1,500	2,206	(950)	(950)	(6,853)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	0	10,000	10,000	10,000	0	0	7,035
Transfers Out	0	0	0	(10,000)	(10,000)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	10,000	0	0	7,035
Net Change in Fund Balance	1,075	1,075	53	1,500	1,500	12,206	(950)	(950)	182
<u>FUND BALANCE</u> - Beginning of Year	13,405	13,405	13,156	69,235	39,235	59,892	0	0	1,224
<u>FUND BALANCE</u> - End of Year	\$ 14,480	\$ 14,480	\$ 13,209	\$ 70,735	\$ 40,735	\$ 72,098	\$ (950)	\$ (950)	\$ 1,406

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 155,301
Taxes Receivable	22,306
Due from Other Funds	42,328
Due from Other Governments	<u>39,995</u>
 TOTAL ASSETS	 <u><u>\$ 259,930</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 162,833
Payroll Liabilities	2,835
Due to Other Funds	<u>3,843</u>
 Total Liabilities	 169,511

FUND BALANCE

Unreserved	
Undesignated	<u>90,419</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 259,930</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET	ACTUAL
<u>REVENUES</u>		
Taxes	\$ 92,200	\$ 97,324
State Grants	173,500	175,295
Charges for Services	13,500	11,588
Interest and Rents	300	4,405
Other Revenues	6,000	8,980
Total Revenues	285,500	297,592
<u>EXPENDITURES</u>		
Legislative		
Township Board	61,500	50,424
General Government		
Supervisor	10,550	10,129
Election	2,700	1,689
Assessor	17,200	16,185
Legal and Professional	7,800	7,356
Clerk	18,100	17,496
Board of Review	2,100	2,255
Treasurer	14,350	14,043
Building and Grounds	13,000	23,470
Cemetery	27,700	27,614
Public Works	172,654	188,195
Community and Economic Development	1,900	1,913
Recreation	1,000	965
Other Functions	0	8,144
Total Expenditures	350,554	369,878
Excess (Deficiency) of Revenues Over Expenditures	(65,054)	(72,286)

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	0	25,147
Transfers Out	(10,000)	(10,000)
Total Other Financing Sources (Uses)	(10,000)	15,147
Net Change in Fund Balance	(75,054)	(57,139)
<u>FUND BALANCE</u> - Beginning of Year	75,054	147,558
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 90,419

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE OPERATING FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 64,538
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 685
Due to Other Funds	<u>41,328</u>

TOTAL LIABILITIES	42,013
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FUND BALANCE

Reserved for Fire Operation	<u>22,525</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,538</u>
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CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Taxes	
Current Property Taxes	\$ 67,745
Interest and Rents	
Interest Earnings	831
Other Income	
Miscellaneous	920
	<hr/>
Total Revenues	69,496
	<hr/>

EXPENDITURES

Public Safety	
Fire Operating	
Salaries	29,952
Capital Outlay	38
Contracted Services	4,700
Insurance	7,525
Education and Training	787
Supplies	9,251
Utilities	4,115
Repairs and Maintenance	52,182
	<hr/>
Total Expenditures	108,550
	<hr/>

OTHER FINANCING SOURCES (USES)

Transfers In	11,473
Transfers Out	(13,673)
	<hr/>
Total Other Financing Sources (Uses)	(2,200)
	<hr/>

Net Change In Fund Balance	(41,254)
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<u>FUND BALANCE</u> - Beginning of Year	63,779
	<hr/>

<u>FUND BALANCE</u> - End of Year	\$ 22,525
	<hr/> <hr/>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE EQUIPMENT FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 273,713
Due from Other Funds	<u>3,804</u>
TOTAL ASSETS	<u><u>\$ 277,517</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Fire Equipment	<u>277,517</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 277,517</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Current Property Taxes	\$ 54,000	\$ 67,745
Delinquent Property Taxes	6,000	0
Interest and Rents		
Interest Earnings	<u>1,000</u>	<u>2,051</u>
Total Revenues	61,000	69,796
<u>EXPENDITURES</u>		
Public Safety		
Fire Equipment		
Repairs	<u>18,000</u>	<u>0</u>
Excess (Deficiency) of Revenues		
Over Expenditures	43,000	69,796
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	<u>0</u>	<u>(29,982)</u>
Net Change In Fund Balance	43,000	39,814
<u>FUND BALANCE</u> - Beginning of Year	<u>237,703</u>	<u>237,703</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 280,703</u>	<u>\$ 277,517</u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE BUILDING FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	<u>\$ 13,209</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Designated for Fire Buildings	<u>13,209</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 13,209</u>
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CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Charges for Services	\$ 1,000	\$ 0
Interest and Rents		
Interest Earnings	<u>75</u>	<u>53</u>
Total Revenues	1,075	53
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	1,075	53
<u>FUND BALANCE</u> - Beginning of Year	<u>13,156</u>	<u>13,156</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 14,231</u>	<u>\$ 13,209</u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

PUBLIC IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 72,098
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Unreserved

Designated for Public Improvement	72,098
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TOTAL LIABILITIES AND FUND BALANCE	\$ 72,098
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CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

PUBLIC IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Interest and Rents		
Interest Earnings	\$ 1,500	\$ 2,206
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,500</u>	<u>2,206</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	10,000	10,000
Transfers Out	(10,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>10,000</u>
Net Change In Fund Balance	1,500	12,206
<u>FUND BALANCE - Beginning of Year</u>	<u>59,892</u>	<u>59,892</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 61,392</u>	<u>\$ 72,098</u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

BUILDING DEPARTMENT FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 1,367
Due from Other Funds	<u>39</u>
TOTAL ASSETS	<u><u>\$ 1,406</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Building Inspections	<u>1,406</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,406</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

BUILDING DEPARTMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Charges for Services		
Permits	\$ 22,000	\$ 9,555
Interest and Rents		
Interest Earnings	50	6
	<hr/>	<hr/>
Total Revenues	22,050	9,561
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Safety		
Building Inspection Department		
Zoning Administrator		
Personal Services		
Salaries and Wages	11,000	11,000
Other Services and Charges		
Contracted Services	12,000	4,590
Supplies	0	824
	<hr/>	<hr/>
Total Expenditures	23,000	16,414
	<hr/>	<hr/>
Excess (Deficiency) of Revenues		
Over Expenditures	(950)	(6,853)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	0	7,035
	<hr/>	<hr/>
Net Change in Fund Balance	(950)	182
<u>FUND BALANCE</u> - Beginning of Year (Deficit)	(1,166)	1,224
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ (2,116)	\$ 1,406
	<hr/>	<hr/>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2008

	Balance			Balance
	April 1, 2007	Additions	Reductions	March 31, 2008
<hr/>				
<u>ASSETS</u>				
Cash	\$ 1,000	\$ 2,191,786	\$ (2,191,786)	\$ 1,000
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 1,000	\$ 211,070	\$ (211,070)	\$ 1,000
Due to Other Governments	0	1,970,437	(1,970,437)	0
Due to Other Organizations and Individuals	0	10,279	(10,279)	0
<hr/>				
TOTAL LIABILITIES	\$ 1,000	\$ 2,191,786	\$ (2,191,786)	\$ 1,000
<hr/>				

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF 2007 PROPERTY TAX ROLL
MARCH 31, 2008

TAXES ASSESSED

County		\$	656,340	
County - State Education Tax			406,470	
Township				
Operating	\$	72,047		
Fire Operating		67,745		
Fire Equipment		67,745	207,537	
Schools				
Grant Public Schools		358,887		
Kent City Community Schools		380,725		
Ravenna Public Schools		29,899	769,511	
Intermediate Schools				
Kent Intermediate		145,560		
Newaygo County Intermediate		203,459		
Muskegon Area Intermediate		11,558	360,577	\$ 2,400,435

TAXES COLLECTED

County			599,757	
County - State Education Tax			377,477	
Township				
Operating		49,741		
Fire Operating		67,745		
Fire Equipment		67,745	185,231	
Schools				
Grant Public Schools		298,879		
Kent City Community Schools		345,874		
Ravenna Public Schools		23,671	668,424	
Intermediate Schools				
Kent Intermediate		133,510		
Newaygo County Intermediate		177,881		
Muskegon Area Intermediate		3,906	315,297	2,146,186

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF 2007 PROPERTY TAX ROLL
MARCH 31, 2008

TAXES RETURNED DELINQUENT

County		56,583	
County - State Education Tax		28,993	
Township			
Operating	22,306		
Fire Operating	0		
Fire Equipment	0	22,306	
Schools			
Grant Public Schools	60,008		
Kent City Community Schools	34,851		
Ravenna Public Schools	6,228	101,087	
Intermediate Schools			
Kent Intermediate	12,050		
Newaygo County Intermediate	25,578		
Muskegon Area Intermediate	7,652	45,280	\$ 254,249

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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July 18, 2008

To the Township Board
Casnovia Township
Muskegon County
Casnovia, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Casnovia Township, Muskegon County, Casnovia, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Casnovia Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of

implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

3) Lack of Adequate Controls to Process, and Summarize Accounting Data

Management is responsible for ensuring that a reliable system exists for recording, processing, and summarizing accounting data.

The Clerk and Treasurer of the Township have requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized in a manner prescribed by the Michigan Department of Treasury. During the year this process was not functioning properly.

This condition was caused by data input into the recordkeeping system in an incorrect manner. Also, lack of reconciliation between the Clerk and Treasurer helped to further

the problems. One of the contributing factors to the situation was caused by the fact that the computer system being used allows cross fund entries to be made.

The Township is aware of these problems and is in the process of trying to implement procedures to correct or mitigate these problems in the future.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above constitute material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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July 18, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Casnovia Township
Muskegon County
Casnovia, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Casnovia Township for the year ended March 31, 2008, and have issued our report thereon dated July 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Casnovia Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 18, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Casnovia Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

Property Tax Administration Fee

As reported in Note IV.E of the Notes to Financial Statements, the township is charging a 1% property tax administration fee. The township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Fire Extra Voted Millage

The Township should record the fire extra voted millage on a separate set of books in the future, out of the General Fund. This will help account for the proper tax collection fund transactions. We recommend that a separate QuickBooks company be set up for the Fire Fund.

Computerized Recordkeeping

In reviewing the Townships computerized records, we proposed numerous adjustments to the general ledger. We recommend that the clerk and treasurer compare and balance records with each other on a monthly basis to insure that cash accounts reconcile.

Payroll

While examining the payroll records we found that the quarterly federal payroll tax forms 941 do not agree with the forms W-2 or W-3 filed for the 2007 calendar year. Specifically, the wages in box 2 on the forms 941 do not agree with the wages in box 1 on the forms W-2 and W-3. These two figures should agree. It appears that reimbursements for various expenses to Township employees were included in box 2 of the forms 941. We recommend that corrected forms 941 be filed for the 2007 calendar year to correct this error. Please contact us should the Township desire assistance with these corrections.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.